

COAG Energy Council

Meeting Communique

PERTH / 23 JULY 2015

THE THIRD MEETING OF THE COAG ENERGY COUNCIL WAS HELD TODAY IN PERTH.

THE COUNCIL AIMS TO REDUCE COSTS OF ENERGY FOR HOUSEHOLDS AND BUSINESSES, MAINTAIN OUR COMPETITIVENESS, GROW OUR ECONOMY, REDUCE CARBON EMISSIONS, IMPROVE OUR SUSTAINABILITY AND PROTECT CONSUMERS.

Its focus at today's meeting was on progressing existing and new measures to address sectoral challenges of national significance to the resources and energy sectors and consumers.

Key areas of progress since its last meeting include identification of new measures to advance gas market reform and the first network revenue determinations made under the new regulatory settings.

By the time of its next meeting, the Council aims to respond to the Review of Governance Arrangements and to adopt a workplan for collaborative elements of the National Energy Productivity Plan (NEPP).

Stakeholder engagement on emerging challenges for the Energy and Resources Sectors

Acknowledging that stakeholder engagement is critical to the ongoing development and implementation of the Council's work program, Ministers opened today's meeting with a stakeholder engagement session with the aim of discussing the direction and approach of the Council in the context of evolving challenges and pressures. These issues were then discussed substantively by the Council and a summary of those discussions is below.

Improving Competitiveness in the Resources Sector

The Council noted the challenges facing Australia's mineral and energy exporters including global oversupply, current cyclical downturn in prices, cost pressures, competition for investment and structural change in our traditional markets which have made for a very difficult operating environment. The Council also acknowledged the significant steps that Australia's producers have taken to adjust to the new circumstances, which will position them to take advantage of new opportunities from economic growth and rising per capita consumption of minerals and energy in emerging economies.

The Council has some notable resources sector achievements such as the Multiple Land Use Framework, National Mine Safety Framework, National Exploration Strategy and the National Harmonised Regulatory Framework for Natural Gas from Coal Seams. Building on this, the Council noted reforms being pursued by jurisdictions and agreed to maintain its collective efforts to enhancing the sector's competitiveness and promoting the development of minerals and energy resources. In the coming months, the Council will look at where it might prioritise its activities to contribute to industry competitiveness including improving our resources knowledge base, better use of information, skills and training, streamlining regulation, developing new opportunities, community engagement and technology and innovation. This includes establishing a new tracking mechanism for major resources and energy project proposals on the Council's website. Ministers asked officials to look to develop this over the next six months and provide a progress report at the Council's end of year meeting.

The Council also acknowledged significant progress in the collaborative initiative of the minerals and geoscience stakeholders through the launch of the "Uncover Roadmap" and the focus this brings on the exploration effort that is needed to find the mines of the future and support the use of new technology for deeper resource discoveries given that most of the shallower reserves have been exploited.

Making the Most of our Geoscientific Data Sets

Australia has a world class information and data knowledge base relating to our resource and environmental assets. However, there are challenges that currently prevent us from obtaining the maximum value from this wealth of information. For example, much of the information is held across multiple agencies under different frameworks and formats which can limit access and comparability. The Council recognises that improving the accessibility and usability of existing information can make an enduring contribution by reducing regulatory and business costs and building more holistic and higher quality information sets to underpin research and decision making.

In light of these challenges, the Council agreed to pursue a work programme to address these issues, with a key feature of this work to be the development of a proposal for a new National Data Initiative (NDI) for the resources sector (onshore and offshore). This would create an open-access integrated national data collection framework which draws together large volumes of government and industry collected environmental and geotechnical data and opportunities for its reuse. The framework would provide access to data for use by governments, regulators, industry, scientists, researchers and the community, initially through an open access entry point that adopts and promotes standards-based metadata and data formats.

This work will be done in conjunction with other national and jurisdictional data projects and Ministerial Councils. Before the next Council meeting, officials will determine the scope of the NDI, identify additional reforms to streamline and improve access to existing data collections and identify the opportunities to improve the transparency of information flows.

Making the Most of our Opportunities in Gas

The Council discussed ongoing challenges in gas markets, particularly in eastern Australia. It noted progress was being made on delivering positions agreed in the December 2014 Australian Gas Market Vision such as delivery of the Council's rule change request to enhance opportunities for gas pipeline capacity trading. It welcomed the commencement of the Australian Competition and Consumer Commission's (ACCC) East Coast Gas Market Inquiry and committed to consider its findings to further enhance the Council's reform program.

The Council welcomed completion of Stage 1 of the review that it commissioned at its last meeting from the Australian Energy Market Commission (AEMC) on the east coast gas market and pipeline frameworks and looks forward to receiving the Stage 2 report in December 2015. The Council agreed to early action to:

- improve price transparency through a gas price index to be implemented by December 2015;
- identify additional information gaps that can be addressed to enhance pipeline capacity trading;
- submit a rule change request to harmonise the start time of the "gas day"; and
- remove the limitation in the National Gas Law (NGL) on who can submit Victorian Declared Wholesale Gas Market rule changes.

It noted that the Australian Energy Market Operator (AEMO) has commenced activities toward the creation of a new gas trading location in Moomba based on the Wallumbilla trading hub model. AEMO will report back to the Council at its end of 2015 meeting when the AEMC Stage 2 report is considered.

The Council noted outcomes in the gas market were primarily being driven by the extent to which resources could be proved up and developed in response to price. It further noted the importance of building and sustaining community confidence in unconventional gas development as a high priority and agreed to develop and implement a plan on this by the end of the year.

The Council noted the gas market was in a new era of dynamism, and the imperative was to get the fundamentals right to prepare market participants for new ways of price discovery, trading, investment and risk management.

Energy and Carbon Policy Interaction in the National Electricity Market

The Council discussed the interaction of climate change and energy policies and agreed that the energy sector would need to play a major role in Australia's effort to reduce greenhouse gas emissions because most of Australia's emissions come from the production and use of energy. The Council, as the peak forum for the development of national energy policy, noted it would have a central role in ensuring that policies to reduce emissions in the energy and resources sectors are efficient and effective. The Council's work plan includes initiatives to ensure that Australia's regulatory frameworks are robust and able to adapt to the emergence of new technologies and energy supply models.

The Council acknowledged that electricity generation is responsible for more than a third of national greenhouse gas emissions and therefore, the importance of ensuring that the generation sector makes an efficient contribution to the national abatement effort. New technologies such as solar and battery storage offer the opportunity to reduce emissions while supporting efficient network and wholesale market development. The Council acknowledged the importance of developing clear and consistent frameworks for the deployment of innovative technologies and addressing inefficient barriers to their deployment.

The Council stressed the importance of measures to reduce greenhouse gas emissions being consistent with the national energy objectives to promote efficient investment, operation and use of electricity services for the long term interests of consumers. It acknowledged the work of jurisdictions to develop and establish measures to reduce emissions by promoting renewable energy and energy efficiency and the information sharing activities currently underway. The Council agreed that in some circumstances the development of national schemes covering interested jurisdictions could reduce retail energy costs. The Council will, as part of developing the NEPP, consider a range of new and existing measures in the context of their impact on greenhouse gas emissions from the energy sector and agreed to publish a summary of existing energy market reforms and energy efficiency activities that have or will contribute to efficient decarbonisation of the energy sector. The Council also tasked officials with exploring how the national energy market bodies could provide input into the development and implementation of carbon mitigation policies in relation to their impact on the energy markets and the National Electricity and Gas Objectives.

Better Governance and Stakeholder Engagement

The Council noted the dynamic nature of resources and energy markets, and particularly the transformational changes underway in the energy sector, provide an imperative for getting more focused progress on national issues from the pooled resources of the Council, its members and institutions. It also noted early feedback from the *Review of Governance Arrangements for Australian Energy Markets* it commissioned in December 2014, and the calls for improvements in the way the Council operates.

The Council resolved to take steps to respond to stakeholder feedback on how to improve the efficiency, visibility, and transparency of its functions, and to increase opportunities for stakeholder engagement as a high priority. The Council emphasised the need for the market institutions and officials to materially improve the responsiveness of advice and solutions to the Council to address dynamic changes in the market. It agreed on mechanisms to improve its stakeholder consultation processes including through updating its website and implementing a communications plan. It will also publish more detail of its working groups, terms of reference, and internal processes. It will seek advice on better ways to engage with energy consumers, particularly through consultation with the newly established Energy Consumers Australia (ECA). The Council looks forward to the governance review final report in September 2015 and a detailed discussion on its response at its next meeting.

Council Reform Implementation Plan and Progress Report

As foreshadowed in the Energy Council's December 2014 meeting communique, the Council today discussed progress made in aligning its work programme around six strategic themes: generation, networks, retail, energy productivity, natural gas, and resources productivity and development; and agreed to release its [Reform Implementation Plan](#).

The Plan is intended to inform stakeholders of the status of key work streams the Council is pursuing to improve energy and resources markets for the long term benefit of industry and consumers. The Plan reflects the Council's broad mandate, which, in addition to the six strategic themes agreed in December 2014, also encompasses work to facilitate and encourage governance, exploration and investment, and to effectively manage gas emergency response and oil security issues. In committing to strengthen and streamline its governance arrangements, the Council specifically agreed to further prioritise its broader work programme, and to publish bi-annual progress reports against measures identified in its Plan. The Plan is a dynamic document and will be updated as necessary to reflect any change to the Council's priorities.

Reports to Council

National Energy Market Bodies and Energy Consumers Australia

The Council met with the three national energy market bodies – the AEMC, Australian Energy Regulator (AER) and AEMO; and for the first time with representatives from the recently established ECA to discuss their respective forward work programmes and current energy market challenges. The Council welcomed Ms Louise Sylvan to her first meeting as ECA Chair and Ms Rosemary Sinclair to the role of Chief Executive Officer of ECA.

The Council noted advice from the energy market bodies and ECA on recent actions and developments in the market. The Council discussed their role in assisting in the implementation of its work program and helping it to position the sector for current and emerging challenges.

National Offshore Petroleum and Safety Environmental Management Authority (NOPSEMA)

Mr Stuart Smith, Chief Executive Officer, and Mr Keith Spence, Chair of NOPSEMA Advisory Board, provided Ministers with an update on NOPSEMA's activities including its five priority activities covering:

- conferral of powers;
- opportunities for further environmental streamlining;
- stakeholder outreach;
- building international linkages; and
- continuing to ensure NOPSEMA's reputation with the community supports its ongoing social license to regulate.

The Council noted NOPSEMA's ongoing efforts to improve performance and that it retained the confidence of industry and jurisdictions.

Major Decision and Discussion Items

Review of Governance Arrangements for Australian Energy Markets – Draft Report

The Council noted progress to date on the Review of Governance Arrangements for Australian Energy Markets. In particular the Council noted that extensive engagement has been undertaken and the Draft Report is now in the final stages of development and will be released for public consultation shortly. The Council confirmed the ongoing strategic importance of the Review and discussed the themes and issues presented in the Review process thus far. In reflecting on the preliminary positions the Panel may take in its Draft Report, the Council noted that it is already considering how to implement changes similar to those the Review may recommend, in particular, improvements in Council operations. These ideas for improvement will be further considered by the Council prior to the Final Report's release in September 2015, and may inform the Council's response to the Governance Review, due in December 2015.

Implications of Technology, Innovation and Market Change in the Electricity Sector

Ministers considered [advice from officials](#) on the emergence of new technologies such as embedded generation and storage and the implications for the national regulatory frameworks currently applying to the electricity sector. Ministers noted that new products and services can offer benefits to consumers and support the operation of the electricity system; however impacts need to be carefully considered to ensure consumers can benefit from these services while ensuring regulatory frameworks are appropriate to mitigate risks and support market change. In considering this advice, Ministers agreed to investigate whether the scope of existing energy consumer protections require change in light of consumers having an increasing range of electricity supply options, as well as the appropriate consumer protection framework for off-grid installations. Ministers also noted that there may be risks to power system operations where aggregators are controlling large amounts of load and agreed that officials should undertake further work to identify options to manage these risks.

Ministers also considered separate [advice from officials](#) on whether the current economic network regulatory frameworks are sufficiently flexible to operate as intended under four plausible future scenarios. Ministers tasked officials to further explore the implications of key issues that emerged from the initial stress-testing exercise; including network asset under-utilisation, network incentives to invest and innovate, and the frameworks needed to support competitive markets in alternative services. This work will explore the implications of these issues for the long-term delivery of the National Electricity Objective and, if appropriate, recommend specific reforms to address potential regulatory failure.

It was agreed that officials should develop a comprehensive strategic work programme to progress the above work aimed at addressing key issues relating to technology, innovation and market change. This work programme will also revisit the recommendations to ensure no duplication with existing work and identification of opportunities for integration. Noting the importance of ensuring the long term interests of consumers, this strategic work programme will also incorporate the Review of the *National Energy Customer Framework (NECF)* announced in December 2014, which proposed assessing whether the NECF requires enhancement in light of ongoing changes in energy markets. Officials will report on outcomes from this strategic work programme at the December 2015 Council meeting along with a report on the progress of longer term work for Ministers' consideration and guidance.

Development of a National Energy Productivity Plan

The Council has considered how to progress its priorities in improving energy productivity identified at its last meeting. The Council noted the Commonwealth's national energy productivity improvement target and agreed to support the development of the NEPP, announced in the Commonwealth's Energy White Paper, as a coordinated national plan which will include both Energy Council collaborative measures, Commonwealth measures and potentially a range of other measures. The Council acknowledged that individual jurisdictions would continue to be able to drive their own energy productivity initiatives. To take this work forward, the Council today released a [statement](#) outlining an agreed set of shared objectives for the plan: to reduce costs for household and business energy users; maintain our competitiveness; grow Australia's economy; reduce carbon emissions; and improve our sustainability. The Council has tasked officials to develop a workplan, in consultation with stakeholders, for collaborative elements of the NEPP for agreement at its December 2015 meeting.

Improving the National Greenhouse and Energy Minimum Standards (GEMS) Scheme

The Council recognises the work in energy efficiency to be a key element of the NEPP. The recent independent [Review of the Inter-Governmental Agreement \(IGA\) for the Greenhouse and Energy Minimum Standards \(GEMS\) Legislative Scheme](#) highlights that energy efficiency is contributing over \$1 billion in avoided energy costs back to the Australian economy annually and at the same time is delivering environmental benefits and reducing carbon emissions by an estimated 11.6 million tonnes per annum. With this in mind, the Council has today released its Response to the Review, and has tasked its Equipment Energy Efficiency (E3) Committee with implementing the recommendations of the independent Review with a view to continuously improve and deliver cost effective outcomes for consumers and industry.

Other Matters Considered by Ministers

Shared Market Protocol to Support Advanced Meters

Ministers noted draft advice from the AEMC on recommended governance arrangements for a shared market protocol which will support the delivery of services offered by advanced meters; and agreed to direct officials to prepare a rule change proposal to implement governance arrangements for submission by 30 November 2015, based on consideration of the AEMC's final advice.

Additional Considerations for the Review of Enforcement Regimes

The Council recognised the importance of the national energy laws having a robust enforcement regime which gives all participants, especially customers, the necessary confidence to participate in energy markets. The Council asked officials to consider how to manage penalty levels into the future, to ensure they maintain their real value, reflecting changes in the value of money. The Council also noted progress on the implementation of recommendations from the Review of the Enforcement Regimes under the National Energy Laws and that officials will be conducting consultation later this year.

Review of Retail Reporting in the Energy Market – Opportunities for Improvement

The Council was appreciative of stakeholders input into the recent consultation on retail reporting in the energy market. It was noted that generally stakeholders accepted that the current retail reporting framework was appropriate, with two national reporting bodies and jurisdictions reporting on the retail market as part of the transition to a deregulated retail price environment. Whilst most stakeholders considered reporting done by the two national reporting bodies was different, the data collection to inform the reports was the same. The Council therefore agreed to explore opportunities to harmonise or consolidate data collection for retail reporting. Stakeholders also recognised that pricing may become more complex with the introduction of flexible pricing. To ensure retail reporting is flexible in this changing environment, the Council agreed to ensure the AEMC has the necessary flexibility for its reporting on possible future price trends in electricity pricing.

Transmission Planning and Connection Rule Change Request – Enhancing Contestability and Improving Transparency

The Council agreed to a rule change request, to be submitted to the AEMC, seeking to amend the transmission connections arrangements and planning frameworks set out in the National Electricity Rules. The rule change request reflects policy positions previously agreed to by Energy Ministers after considering the AEMC's Transmission Frameworks Review Final Report. The proposed rule amendments aim to enhance contestability in transmission connection arrangements and improve the transparency of information for negotiated transmission services. Planning of transmission networks will also be improved with an enhanced nationally coordinated planning approach, a formalised process to allow transmission businesses to provide input into the development of the National Transmission Network Development Plan and greater consistency between the transmission business' Annual Planning Reports. The rule change proposal also isolates most of the proposed changes to the transmission connection and planning framework from any jurisdiction where AEMO is authorised to exercise its declared network functions. Currently only Victoria authorises AEMO to exercise these functions.

Resources Development Transparency Workshop

The Council noted the recent stakeholder consultation undertaken by Council officials, convening a Transparency Workshop aimed at identifying opportunities to improve community and investor confidence in the Australian resources industry through greater regulatory transparency. The Council noted the Workshop brought together 45 stakeholders from a range of government, industry and stakeholder groups for a day of guided discussions and feedback, with a report on the Workshop outcomes and recommended actions for participants currently underway.

Membership

The COAG Energy Council comprises Commonwealth, State, Territory and New Zealand Ministers responsible for energy and resources.

Commonwealth (Chair)	The Hon Ian Macfarlane MP Minister for Industry and Science
New South Wales	The Hon Anthony Roberts MP Minister for Industry, Resources and Energy
Victoria	The Hon Liliana D' Ambrosio MP Minister for Energy and Resources
Queensland	The Hon Dr Anthony Lynham MP Minister for Natural Resources and Mines
	The Hon Mark Bailey MP Minister for Energy and Water Supply
Western Australia	The Hon Bill Marmion MLA Minister for Mines and Petroleum
	The Hon Dr Mike Nahan MLA Minister for Energy
South Australia	The Hon Tom Koutsantonis MP Minister for Mineral Resources and Energy
Tasmania	The Hon Matthew Groom MP Minister for Energy
	The Hon Paul Harriss MP Minister for Resources
Australian Capital Territory	Mr Simon Corbell MLA Minister for Environment
Northern Territory	The Hon David Tollner MLA Minister for Mines and Energy
New Zealand	Hon Simon Bridges MP Minister of Energy and Resources

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